

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 United States Code 5302), which authorized establishment of a Treasury fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and for foreign exchange, as well as interest earned on assets.

- Table **ESF-1** presents the assets, liabilities and capital of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the International Monetary Fund. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

- Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (+) or loss (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of SDR holdings and allocations"

TABLE ESF-1.—Balances as of Oct. 1, 1999, and Dec. 31, 1999

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

Assets, liabilities and capital	Sept. 30, 1999	July 1, 1999, through Dec. 31, 1999	Dec. 31, 1999
Assets			
U.S. dollars:			
Held with Treasury:			
U.S. Government securities	15,232,198	-872,929	14,359,269
Special drawing rights ¹	10,283,763	51,761	10,335,524
For foreign exchange and securities: ²			
European Euro	7,219,110	-350,632	6,868,478
Japanese yen	8,831,824	389,710	9,221,534
Accounts receivable	127,543	19,473	147,016
Total assets.	41,694,438	-762,617	40,931,821
Liabilities and capital			
Current liabilities:			
Accounts payable	52,774	-8,010	44,764
Total current liabilities	52,774	-8,010	44,764
Other liabilities:			
SDR certificates	7,200,000	-1,000,000	6,200,000
SDR allocations	6,799,029	-82,026	6,717,003
Total other liabilities	13,999,029	-1,082,026	12,917,003
Capital:			
Capital account	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2)	27,442,635	327,419	27,770,054
Total capital	27,642,635	327,419	27,970,054
Total liabilities and capital	41,694,438	-762,617	40,931,821

See foot notes on the following page.

TABLE ESF-2.—Income and Expense

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

	Current quarter Oct. 1, 1999, through Dec. 31, 1999	Fiscal year to date Oct. 1, 1998, through Dec. 31, 1999
Income and expense		
Profit (+) or loss (-) on:		
For eign ex change	-1,626,763	10,634
Ad just ment for change in val u a tion of SDR holdings and allocations ¹	-98,060	-42,984
In ter est (+) or net charges (-) on:		
SDRs	-81,059	33,158
U.S. Gov ern ment se cu ri ties	-602,170	198,217
For eign ex change	2,696,389	54,101
Com mis sions	39,082	74,629
In come from op er a tions	327,419	327,755
Net in come (+) or loss (-)	327,419	327,755

¹ Beginning July 1974, the International Monetary Fund adopted a technique for valuing the SDRs based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes for eign ex change trans ac tions for fu ture and spot de liv ery.

Note.—An nual bal ance sheets for fis cal 1934 through 1940 ap peared in the 1940 "An nual Re port of the Sec re tary of the Treas ury" and those for suc ceed ing years ap peared in sub se quent re ports through 1980. Quar terly bal ance sheets be gin ning with De cern ber 31, 1938, have been pub lished in the "Treasury Bul le tin." Data from in cep tion to Sep tem ber 30, 1978, may be found on the state ments pub lished in the Jan u ary 1979 "Treasury Bul le tin."